

The Labor Costs of a New Minimum Wage in Idaho

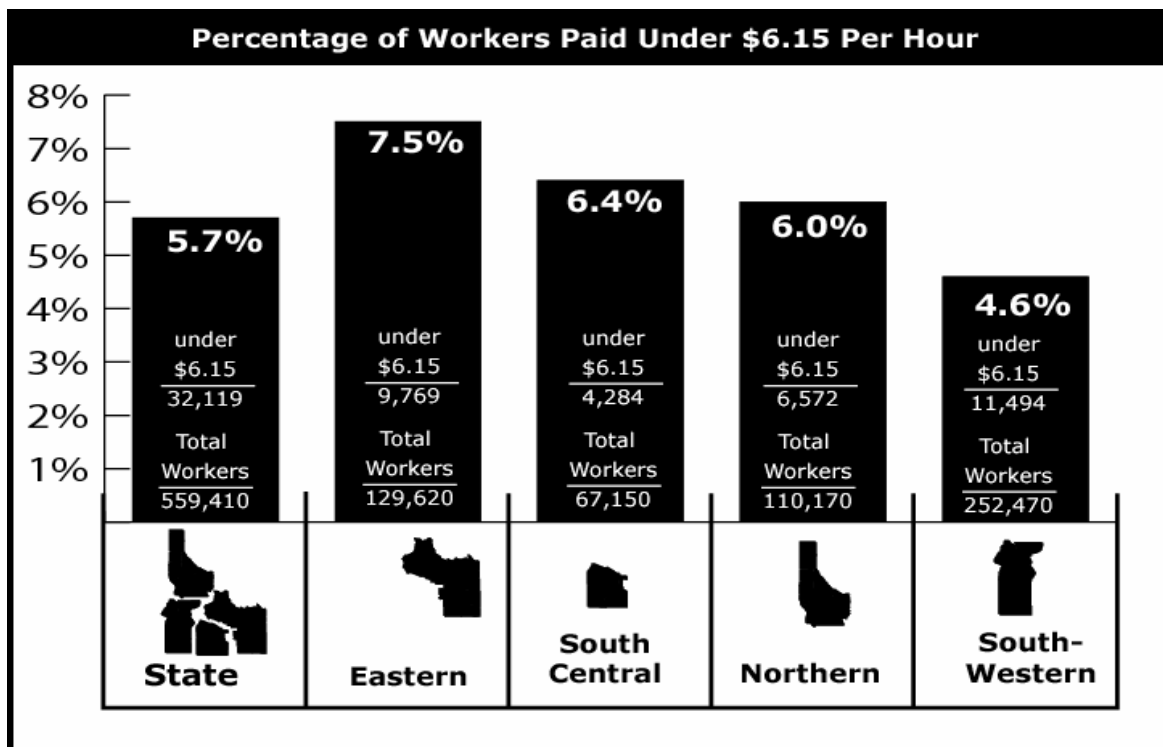
September 2005

Editors Note: This research was conducted in response to an informational request from Representative Tom Trail, R-Moscow, regarding the impact of raising the Idaho minimum wage to \$6.15 per hour. Researchers did not draw any conclusions or make any recommendations, nor did they evaluate the impact on job availability under a higher minimum wage. With this document Idaho Commerce & Labor neither endorses nor opposes any change in the current minimum wage.

About 5.7 percent of Idaho's work force would be affected by a one dollar increase in the minimum wage, according to a new study by Idaho Commerce & Labor. Researchers examined the potential cost implications on Idaho's economy of raising the current minimum wage from \$5.15 to \$6.15 per hour.

An estimated 32,100 Idaho workers earn hourly wages between \$5.15 and \$6.14, including gratuities. Their average wage is \$5.73 an hour, which is 42 cents below \$6.15.

Idaho Commerce & Labor researchers estimate the collective cost of raising Idaho's minimum wage by one dollar would be \$24.1 million annually to the businesses that currently pay less than \$6.15 an hour. The projected \$24.1 million increase represents one-tenth of 1 percent of the statewide payroll of \$16.9 billion in 2004 and would result in an average 7.3 percent pay increase for the 32,100 workers in the affected wage range.



Costs by Region. The percentage of employment generating less than \$6.15 an hour varies across the state. By geography, eastern Idaho has the highest concentration at 7.5 percent. Southwestern Idaho has the lowest at 4.6 percent.

A change in the minimum wage law would benefit 15 of every 200 workers in eastern Idaho and about 12 of every 200 in both northern and south central Idaho. The southwestern area has higher wage levels and thus proportionally fewer workers affected by an increase in the minimum wage.

Costs by Industry. The cost implications for compliance with the proposed higher minimum wage are relative to the number of workers in each industry earning under \$6.15 an hour. Most low-wage workers, two of every three, are concentrated in industries associated with accommodations and food services (41 percent), retail trade (19 percent) and health care and social assistance (6 percent). The average cost per worker is estimated at 42 cents per hour with slight cost variations among industry sectors.

Industry	Affected Workers by Region				Total Affected Workers	Average Cost Hour
	Eastern	Northern	South Central	Southwestern		
Accommodation and Food Services	3,248	3,004	1,527	5,416	13,195	0.41
Retail Trade	2,087	1,385	963	1,726	6,161	0.41
Health Care and Social Assistance	718	280	286	604	1,888	0.44
Administration and Support and Waste Management and Remediation Services	506	138	205	827	1,676	0.43
Other Services (except Public Administration)	402	306	213	381	1,302	0.44
Wholesale Trade	538	91	214	103	946	0.43
Manufacturing	329	167	103	318	917	0.42
Arts, Entertainment and Recreation	199	166	104	409	878	0.42
Agriculture, Forestry, Fishing and Hunting	305	52	120	330	807	0.38
Real Estate and Rental and Leasing	227	84	73	371	755	0.39
Transportation and Warehousing	143	254	88	268	753	0.45
Public Administration	153	255	59	139	606	0.47
Information	185	64	107	176	532	0.40
Professional, Scientific and Technical Services	156	81	125	102	464	0.45
Construction	170	72	35	138	415	0.50
Finance and Insurance	76	110	40	129	355	0.41
Management of Companies and Enterprises	269	17	3	10	299	0.41
Educational Services	48	22	17	33	120	0.41
Utilities	9	24	2	12	47	0.46
Mining	1			2	3	0.37

Costs by Occupation. There are 375 different occupations with wages under \$6.15 an hour, although the top five represent about 41 percent of all lower paid workers. These five occupations are waiters and waitresses (13 percent), food preparation and serving workers (11 percent), cashiers (8 percent), retail sales personnel (5 percent) and janitors and cleaners (4 percent). The following table ranks the 50 most common occupations paying less than \$6.15 an hour. Tips are included in the hourly wages for occupations that normally incur gratuities.

Ranking	Occupations	Workers Under \$6.15
1	Waiters and waitresses	4,226
2	Combined food preparation and serving workers, including fast food	3,440
3	Cashiers	2,717
4	Retail salespersons	1,537
5	Janitors and cleaners, except maids and housekeeping cleaners	1,377
6	Laborers and freight, stock, and material movers, hand	1,143
7	Bartenders	1,070
8	Maids and housekeeping cleaners	863
9	Cooks, fast food	761
10	Dishwashers	714
11	Driver/sales workers	630
12	Packers and packagers, hand	541
13	Graders and sorters, agricultural products	535
14	Food preparation workers	519
15	Hosts and hostesses, restaurant, lounge, and coffee shop	505
16	Dining room and cafeteria attendants and bartender helpers	447
17	Truck drivers, light or delivery services	406
18	Secretaries, except legal, medical, and executive	372
19	Counter attendants, cafeteria, food concession, and coffee shop	368
20	Office clerks, general	360
21	Bookkeeping, accounting, and auditing clerks	359
22	Cleaners of vehicles and equipment	316
23	Counter and rental clerks	305
24	Cooks, restaurant	287
25	Child care workers	279
26	Cooks, short order	268
27	Hairdressers, hairstylists, and cosmetologists	253
28	Truck drivers, heavy and tractor-trailer	228
29	Farmworkers and laborers, crop, nursery, and greenhouse	222
30	Receptionists and information clerks	213
31	Ushers, lobby attendants, and ticket takers	204
32	Nursing aides, orderlies, and attendants	202
33	Stock clerks and order fillers	192
34	Landscaping and groundskeeping workers	182
35	Food servers, nonrestaurant	178
36	Amusement and recreation attendants	167
37	Automotive service technicians and mechanics	156
38	Personal and home care aides	147
39	First-line supervisors/managers of food preparation and serving workers	105
40	Chief executives	103
41	Nonfarm animal caretakers	100
42	Hotel, motel, and resort desk clerks	95
43	Shipping, receiving, and traffic clerks	91
44	Helpers--production workers	86
45	Security guards	83
46	Legal secretaries	82
47	Packaging and filling machine operators and tenders	80
48	Order clerks	80
49	Laundry and dry-cleaning workers	79
50	Lifeguards, ski patrol, and other recreational protective service workers	78

Annual Costs. Hourly costs have been the analytical basis for this report. But to better understand the overall cost implications, certain assumptions have been used to produce annual figures. The assumptions are that full-time workers work 40 hours a week for 52 weeks per year while part-time workers work 20 hours a week for 52 weeks per year. This conservative approach is thought to slightly overestimate annual labor costs.

Recent research conducted by Idaho Commerce & Labor describes the full-time to part-time ratio composition by industry and location. This allows the differentiation of regional labor costs.

The following table illustrates the annual cost implication of increasing the minimum wage from \$5.15 to \$6.15. Areas paying lower wages, as reflected by the higher average annual costs column, will incur greater expenses to adjust each worker to the proposed higher minimum. Areas with more workers earning less than \$6.15 will incur cost adjustments relative to the size of the low-wage labor force. The average annual cost of adjusting a worker's earnings to a new minimum wage would range from a \$699 increase per worker in south central Idaho to \$773 in northern Idaho.

Location	Workers Under \$6.15	% Full-time Workers	Annual Cost to Bring Hourly Pay to \$6.15	Annual Cost Full-time Workers	Annual Cost Part-time Workers	Total Annual Cost	Average Annual Cost per Worker
Eastern	9,769	80.9%	\$4,065	\$6,840,996	\$621,199	\$7,462,195	\$763.86
Northern	6,572	78.9%	\$2,807	\$4,607,000	\$473,860	\$5,080,861	\$773.11
South Central	4,284	74.4%	\$1,709	\$2,644,413	\$349,964	\$2,994,376	\$698.97
Southwestern	11,494	77.5%	\$4,773	\$7,693,437	\$859,069	\$8,552,505	\$744.08
Statewide	32,119	78.3%	\$13,354	\$21,785,845	\$2,304,092	\$24,089,937	\$750.02

Appendix: Minimum Wage Simulation Methodology

To determine the impact of a \$1 increase in Idaho's minimum wage, hourly wages were identified for those workers whose hourly wages fell between the current minimum wage of \$5.15 and the proposed minimum wage of \$6.15. The analysis used published and non-published data from the Idaho Occupational Employment and Wage Survey statistical report for 2004, published by Idaho Commerce & Labor in 2005.

That data details wages at specific percentiles by industry, occupation within industry and geographic location. With the use of probability principles, the number of workers was calculated for each wage percentile and then their current hourly rates were subtracted from \$6.15 to determine the cost to adjust to the higher proposed minimum wage. If 100 workers in a specific industry were earning \$6.13 per hour, the cost to bring these 100 workers to \$6.15 an hour would be $100 \times \$0.02 = \2 per hour. Similarly, if 100 workers were paid only \$5.15 an hour, it would cost their employers an additional \$1 each or $100 \times \$1.00 = \200 per hour to bring them up to \$6.15.

This wage simulation does not consider other costs related to wages that employers would absorb such as unemployment insurance, workers' compensation and social security taxes. It also does not consider the spill-over effect raising the minimum wage would have on the wages of workers making more than \$6.15 an hour.

Wages for agricultural occupations are shown only for workers covered by Idaho's Unemployment Insurance law.

*Salvador Vazquez, Research Analyst Supervisor
Idaho Commerce & Labor*